

**Illinois Department of Revenue
Regulations**

Title 86 Part 100 Section 100.5030 Taxpayer's Notification to the Department of Certain Federal Changes Arising in Federal Consolidated Return Years, and Arising in Certain Loss Carryback Years (IITA Section 506)

TITLE 86: REVENUE

**PART 100
INCOME TAX**

Section 100.5030 Taxpayer's Notification to the Department of Certain Federal Changes Arising in Federal Consolidated Return Years, and Arising in Certain Loss Carryback Years (IITA Section 506)

- a) In general. A corporation that is a member of an affiliated group filing a consolidated federal return for a particular taxable year must compute its separate federal taxable income equivalent for Illinois income tax purposes in accordance with IITA Section 203(e)(2)(E). Such a corporation must, however, also calculate its "separate taxable income" for purposes of the federal consolidated return and its supporting statements in accordance with Treasury Reg. Section 1.1502-12. Such a calculation for federal purposes involves certain positive and negative modifications to what the corporation's federal taxable income would be were it not a member of an affiliated group filing a consolidated federal income tax return. Therefore, although the computation of "separate taxable income" under Treasury Reg. Section 1.1502-12 does not exactly equate with the computation of "federal taxable income" and IITA Section 203(e)(2)(E), it should nevertheless be possible to reconcile the "separate taxable income" of the consolidated return (as reflected on supporting statements to the consolidated return) with the "federal taxable income" of the pro forma U.S. 1120 required for Illinois purposes by reversing the positive and negative modifications of Treasury Reg. Section 1.1502-12 and by executing the mandated elections of IITA Section 203(e)(2)(E). Consequently, if the federal consolidated return of an affiliated group is later adjusted for federal purposes with the meaning of Section 403(b) of the Act, and if the federal adjustment alters the computation of "separate taxable income" of any member under Treasury Reg. Section 1.1502-12, then such an adjustment shall require notification to the Illinois Department of Revenue pursuant to IITA Section 506(b) to the extent such adjustment enters into the computation of such taxpayer's base income under the Act.
- b) Certain adjustments in loss carryback years. In certain limited instances, it is possible that a member of an affiliated group will have a pro forma federal change for Illinois purposes to its federal taxable income of a prior year (as reported to Illinois under whatever paragraph of IITA Section 203(e) applied in the prior year). This would result from the pro forma federal carryback of a net operating loss or capital loss for Illinois purposes which was not identically carried back for federal purposes by reason of the fact that it originated in a year (under IITA Section 203(e)(2)(E), carryback of net operating losses on a separate return basis by members of affiliated groups is allowed for Illinois purposes only from loss years ending before September 12, 1977 and ending from November 7, 1978 to December 30, 1980) for which the corporation

participated in the filing of a consolidated return and in which consolidated return year the loss was partly or wholly absorbed for federal purposes by income of other members of the affiliated group. In such instances, any claim for refund of Illinois income tax must be filed not later than 3 years and 20 days after the last day of the taxable year in which the loss occurred which generated the pro forma change, or two years and 20 days from the date the amount of loss as reflected on the consolidated return and supporting statements of the loss year is finally determined for federal purposes (within the meaning of IITA Section 403(b)) whichever is later.

(Source: Amended at 24 Ill. Reg. 10593, effective July 7, 2000)